

## Variable Universal Life Sales Fall after 19 Quarters of Growth

Volatile stock markets, higher inflation and belt-tightening mean consumers are spending less on life insurance relative to other necessities.

By Cyril Tuohy | December 7, 2022

After 19 consecutive quarters of growth, individual sales of variable universal life declined in the third quarter in the face of investors leery of volatile stock markets and the rising cost of living.

Variable universal life sales fell 12% compared with 104% growth in the third quarter a year ago, **Limra** reported on Tuesday. The line now commands a market share of 13%, up from 8% in the third quarter 2020.

Overall life insurance sales, as measured by new premium, fell 5% from a year ago, Limra also reported. Overall policy counts fell 12% over a year ago, Limra said. The insurance research organization doesn't release raw numbers.



*Mary Pat Campbell, a VP of insurance research at Conning*

"I expected variable universal life to drop in response to the rough equity market," said **Mary Pat Campbell**, VP of insurance research at **Conning**, in an email. "It's not just the market drop that leads to a drop in sales, but also market volatility, which can have people thinking about steadier options."

The number of variable universal life policies sold in the third quarter fell 16% from a year ago, Limra said. Variable life contracts, which are regulated as a security, allow policyholders to allocate money to mutual funds.

"It's not overly surprising, with the market as volatile as it has been recently, that consumers are more cautious around investments in products that carry higher risk, like variable universal life," said **Pat Fleming**, executive VP of product innovation and corporate actuary with distributor **AmeriLife**.

### Annuity Parallels

Fleming added that there are similarities in the trends between variable life and slowing growth among buffered variable annuities, he said.

**Elaine Tumicki**, corporate VP and director of insurance product research for Limra, said that even with variable universal life's fairly healthy growth so far this year, "we expect the fourth quarter to be tough."



*Elaine Tumicki, director of Limra's insurance product research*

Growth of variable life is likely to moderate and remain level in 2023 compared with this year, but maybe increase in 2024, depending on the economy, a possible recession and stock market performance, she said.

"I don't think we'll see double-digit growth," she said. "For one thing, variable universal life was coming off a lower base." In the third quarter of 2020, variable universal life made up 8% share of all individual life sales, according to Limra.

Variable universal life sales tapered off because of equity market volatility and higher rates on fixed interest products, said **Mike DeKoning**, senior VP of insurance and wealth management solutions at **Thrivent Financial**. The industry has seen a parallel shift from variable annuities to fixed annuities over the last few quarters. "I think the variable universal life market share may drop a little more if interest rates stay elevated and equity markets continue to be volatile, but likely not in a material way," he said in an email.

Lower premium and policy counts in the third quarter versus 2021 reflects the "difficult economic environment," with high inflation and robust consumer spending on durable goods, leaving less disposable income for life insurance purchases, DeKoning added.

### **Indexed, Whole and Term Life**

Consumers found indexed universal life a steadier option compared with variable life, Campbell said. Rising interest rates and floor features on indexed life guarantee the growth of cash value with the opportunity to participate in market gains, Campbell said. "Premiums are less likely to fluctuate as much as variable universal life to keep it in-force or to grow cash value," Campbell added.

Indexed universal life, the only life product line to record positive growth in the third quarter, rose 2% over the year-ago period, Limra also reported. Fewer than half of the carriers surveyed reported gains and premium held 28% of market share, Limra reported.

Third quarter sales of fixed universal life fell 25% from a year ago, Limra also reported, while sales of whole and term life also fell over the period, though by not nearly as much.

Life premium growth in 2021 soared 25% over 2020 and 2020 sales rose 14% from 2019, due mostly to the pandemic and consumers wanting to protect family breadwinner. Sustaining those gains was going to be a tall order. "That was going to be difficult to maintain," Campbell added.

The robust consumer demand the industry recorded last year has been on the wane and while rising rates may help make permanent life products more attractive, it could also squeeze household budgets and consumers carrying debt levels at historic highs, she said.

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Fleming said that lower overall sales volume could be due to the pandemic entering a different stage of its lifecycle. And with a low unemployment rate employees might be securing coverage through group life policies offered by employers.

“Couple that with higher inflation and general belt-tightening, consumers are now putting less into products like life insurance, which they do not see as critical in terms of near-term spend relative to other necessities,” he said.

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